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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

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26 March 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM:
Assistant National Intelligence Officer for NESA

SUBJECT: Warning and Forecast Report for Near East and South Asia

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The NIO/NESA March warning meeting addressed the current shifts in Libya's relations with its Maghreb neighbors and the effects of the Iran-Iraq war on non-belligerents in the region.

1. Libya and Maghreb alliances. Signs of Libyan-Algerian rapprochement raised concerns among members of the Community that we may see a Libyan-Algerian union similar to that concluded between Libya and Morocco. Because an Algerian-Libyan union could sound the death knell for the Libyan-Moroccan union, it was suggested that something other than a formally announced union might emerge--a treaty of friendship or military pact, for example. The rapprochement is currently at the early stages, but the dynamics and motivations of the players reveal potential serious implications for the region and the US:

For Libya. Qadhafi has several reasons for seeing an alliance with Algeria as in his interests. He is currently under tremendous pressure from the US and would like to line up regional support. Algeria would be a key player in a defensive network of support against a US attack. Qadhafi also would hope to get Algerian agreement to crack down on Libyan dissidents in Algeria. Libya probably is now also disillusioned with the Moroccan union and may find an alliance with Algeria more appealing--Libya is closer to Algeria than to Morocco in its ideology and foreign policy orientation, and an alliance with Algeria probably is viewed as more natural.

For Algeria. Algeria would like to torpedo the original Libyan-Moroccan union which it views as directed against itself. Algeria is suffering from dramatically reduced oil revenues and currently has

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naturally converging interests with Libya on oil policy--a desire to pressure Saudi Arabia to curtail its aggressive oil marketing strategy. Also, Bendjedid is potentially threatened militarily on two fronts--Libya and Morocco--and may welcome a rapprochement to lessen the expense of maintaining the Libyan front. Algeria would also seek Libyan agreement to lessen support for Chadian rebels and reduce hostility toward Tunisia.

For Morocco and Tunisia. King Hassan may well find an Algerian-Libyan alliance intolerable, but the key would be how such an alliance affected support for the Polisario. If there were signs that Libya was resuming support for the Polisario, Morocco would almost certainly break its union with Libya. Making the best of a bad situation, Morocco may see the Algerian-Libyan alliance as a good excuse for getting out of the increasingly uncomfortable union with Libya. Although both Tunisia and Morocco hope that a rapprochement would check Algerian and Libyan activities in the Maghreb, they must also fear that in bargaining over an alliance, Algeria and Libya would agree to give one another a freer hand in Morocco and Tunisia, respectively.

Warning Notes

Signs that Algeria and Libya are moving seriously toward rapprochement (and some are already apparent) include:

- Increased Algerian-Libyan contacts.
- Movement toward a Maghreb summit designed to isolate Morocco.
- Steps by King Hassan to clear Libyans out of Morocco or other evidence that the Libyan-Moroccan union is faltering.
- Resumed Libyan support for the Polisario.
- Libyan gestures of reduced hostility toward Tunisia and Chad.

2. Impact of the Iran-Iraq war on non-belligerents. The Community considered the impact of the Gulf war on the countries in the region, besides Iran and Iraq, with the greatest equities: Kuwait, Saudi Arabia, and Syria.

Kuwait is under the most immediate threat of the war spilling over. In fact, shells have already hit Kuwaiti territory. The chances of an Iranian punitive or message-sending strike against Kuwait are high, but Iran is unlikely to invade Kuwait or capture Kuwaiti territory. The drawbacks for Iran in such an adventure would be significant:

- The war effort against Iraq would be seriously diluted by opening a second front against the GCC states. Iranian logistics efforts would be seriously strained if they had to support a military campaign on Bubiyan Island.

2
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SECRET

- The chances of Western involvement--something Iran has tried to avoid--increase significantly.

Still, Iran is on a high and may believe a small expeditionary force could take Bubiyan unchallenged, marking another psychological victory and sending a strong message to GCC supporters of Iraq.

Saudi oil policy gives Iran added impetus--beyond Saudi support for Iraq--for taking some action against Riyadh. Iran doesn't have the power in the oil market to thwart Saudi oil policy with a counter-strategy of its own. This raises the possibility that Iran will turn to violent action against Saudi Arabia. In its calculations, Iran cannot write off the possibility that Saudi Arabia would strike back, especially for an attack on Saudi territory.

Warning Notes

Any Iranian attacks against the Gulf states are likely to come in the form of:

- Interdiction of shipping, attacks on tankers, especially those carrying oil sold on Iraq's behalf.
- Punitive strikes against the Saudi-Kuwaiti neutral zone (the source of oil sold on Iraq's behalf).
- Sabotage against oil facilities.
- Terrorism aimed at Saudi or Kuwaiti officials.

Syria's leverage and motivations in its Iran-Iraq strategy are less clear. Some in the Community argue that Asad has overplayed his hand in support of Iran. His ability to entice Iraq with a possible re-opening of Iraq's pipeline across Syria is decreasing as Iraq opens additional lines across Turkey and Saudi Arabia. Lack of Syrian control over Hizballah in Lebanon, Syria's failure to pay Iran for the oil it receives, Iranian control of Arab territory, and the growing difficulty in obtaining Gulf aid are increasingly limiting Asad's flexibility to play the war to his advantage. On balance, however, Syria still holds an important card in its policy toward Iran. Iraq badly wants Syria (and Libya) to abandon Iran to strengthen Saddam's claim that the war is an Arab-Persian conflict. Although Gulf aid is tight, the Saudis would still pay handsomely for Syria to drop its support for Iran.

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NIC/A/NIO/NESA [redacted] 26 March 1986)

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